

Management Discussion and Analysis

FINANCIAL PERFORMANCE

A summary of the Group's performance for the year is set out below:

- The Group's turnover for the year (including share of an associated company) was HK\$604,706,000, representing an increase of 4.4% from HK\$579,041,000 in the previous year
- Profit attributable to shareholders for the year fell 8.1% to HK\$132,639,000

FINANCIAL POSITION

As at 31st December 2004, the Group's total assets amounted to HK\$1,083,648,000 (2003: HK\$914,729,000), representing an increase of 18.5% when compared to the previous year. Non-current assets totaled HK\$900,291,000 (2003: HK\$766,551,000), representing an increase of 17.4%. Current assets amounted to approximately HK\$183,357,000 (2003: HK\$148,178,000), representing an increase of 23.7%. Shareholders' funds was HK\$689,461,000 (2003: HK\$540,070,000), representing an increase of 27.7% when compared to the previous year.

PLEDGE OF ASSETS

As at 31st December 2004, the Group had pledged in favour of the banks with land and property assets valued at HK\$522,407,000 (2003: HK\$413,714,000) for facilities granted by banks.

BANK BORROWINGS

As at 31st December 2004, the bank borrowings of the Group amounted to HK\$196,420,000 (2003: HK\$173,221,000), representing an increase of 13.4% when compared to the previous year. The borrowings of the Group bear floating interest rates and are mostly denominated in Hong Kong dollars.

FINANCIAL RATIO

As at 31st December 2004, the Group's current ratio (i.e. current assets/current liabilities) was 0.87 (2003: 1.02) and the gearing ratio (i.e. bank borrowings/shareholders' funds) was 0.28 (2003: 0.32).

CONTINGENT LIABILITIES

The Company has provided guarantee in respect of banking facilities in an aggregate amount of HK\$232,000,000 (2003: HK\$196,000,000) granted to its subsidiaries. As at 31st December 2004, the banking facilities utilized by these subsidiaries amounted to approximately HK\$195,854,000 (2003: HK\$171,616,000).

FOREIGN EXCHANGE RISK

The Group's assets, liabilities and business transactions were mostly denominated in Hong Kong dollars, Renminbi and a small amount of US dollars. Although US dollar had depreciated, its proportion was relatively small. The exchange rates of the other major currencies remained relatively stable during the year. Since the Group faced no material foreign exchange exposure, no financial instrument had been used for hedging purpose.

FINANCIAL STRATEGIES

The Group will continue to control financial risks with cautious approaches and proactively adopt internationally-recognized corporate management standards to ensure maximum protection for shareholders.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2004, the Group employed approximately 100 employees. The Group remunerates its employees in accordance with individual job nature and market condition. Other benefits include Mandatory Provident Fund Scheme, medical insurance, training program and share option scheme.